

Message Text

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C O N F I D E N T I A L ROME 12794

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: POSSIBILITY OF GOVERNMENT CRISIS IN SHORT-TERM FADES

SUMMARY: THE RESUMPTION OF POLITICAL ACTIVITY HAS CONFIRMED THAT FEAR AMONG ALL CENTER-LEFT PARTIES OF A GOVERNMENT CRISIS WHICH COULD LEAD TO EARLY NATIONAL ELECTIONS FAR OUTWEIGHS THEIR UNHAPPINESS WITH THE PRESENT POLITICAL SITUATION. THEREFORE, CITING CONCERN FOR THE SERIOUS ECONOMIC SITUATION, ALL PARTIES ARE LIKELY TO PUT OFF THEIR HARD POLITICAL DILEMMAS AS LONG AS THEY CAN. IT NOW LOOKS LIKE THEY MAY BE ABLE TO DO SO AT LEAST UNTIL THE END OF THE YEAR. END SUMMARY.

1. WITH THE POST-VACATION RESUMPTION OF POLITICAL ACTIVITY, MUCH OF THE IMMEDIATE DRAMA HAS BEEN DRAINED OFF BY THE CONFIRMATION THAT, FOR ALL THE CENTER-LEFT PARTIES, THE FEAR OF A CRISIS (I.E., POTENTIAL EARLY ELECTIONS) FAR EXCEEDS DISSATISFACTION WITH THE PRESENT UNHAPPY POLITICAL STATE.

2. THE ATTITUDE OF THE SMALL REPUBLICAN (PRI) AND SOCIAL DEMOCRATIC (PSDI) PARTIES WAS NEVER IN DOUBT, AND IS COMPLETELY UNDERSTANDABLE. THEY STAND TO LOSE THEIR RELEVANCE IN A POLARIZED ELECTORAL CONFRONTATION OVER
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THE ISSUE OF COMMUNIST PARTICIPATION IN THE NATIONAL

GOVERNMENT. BOTH ARE MOREOVER TORN BY DISSENT AT THE LOCAL LEVEL; THE PSDI BY NOTABLE DEFECTIONS AS WELL.

3. THE SAME CONSIDERATION IS LARGELY VALID FOR THE SOCIALISTS (PSI). EARLY ELECTIONS WOULD UNDERCUT THE BALANCE OF POWER POSITION THEY ARE NOW TRYING TO MAINTAIN BETWEEN THE CHRISTIAN DEMOCRATS (DC) AND THE COMMUNISTS (PCI). IN A CONFRONTATION, THEY WOULD INEVITABLY HAVE TO LINE UP WITH THE PCI, AND, IN THE PRESENT BALANCE OF FORCES, TO SUFFER PCI HEGOMONY. (THE ONLY WAY THE PSI NOW SEES TO BOOST ITS STRENGTH VIS-A-VIS THE PCI IS TO ENCOURAGE DEFECTIONS FROM THE PSDI.) THEREFORE, THEY ARE TEMPORIZING, AS THEY HAVE BEEN SINCE THE JUNE 15 ELECTIONS, AND ARE LIKELY TO CONTINUE TO DO SO UNTIL THEIR SCHEDULED CONGRESS IN DECEMBER. MEANWHILE, CONCERN ABOUT MAINTAINING THE PSI'S AUTONOMY VIS-A-VIS THE PCI HAS FINALLY BEGUN TO SURFACE WITHIN THE PARTY, AND IS LIKELY TO BE THE CENTRAL ISSUE IN DEBATES LEADING UP TO THE CONGRESS.

4. THE GREATEST DANGER FOR THE MORO GOVERNMENT IN THE SHORT-TERM WAS DISSENT WITHIN THE DC. HOWEVER, MORO AND PARTY SECRETARY ZACCAGNINI HAVE ABLY HEADED OFF SPORADIC EXPRESSIONS OF UNHAPPINESS WITH THE PRESENT CONFUSED SITUATION (ROME 12497) THE PARTY AS A WHILE, DEMORALIZED AND CONFUSED BY A LOSS OF LOCAL POWER WHICH, PROPORTIONATELY, FAR EXCEEDED ITS ELECTORAL LOSSES, IS IN NO SHAPE FOR A FIGHT.

5. WHILE THE COMMUNISTS, FOR THEIR PART, HAVE MUCH LESS REASON TO FEAR A CIRISIS, THEY CALCULATE THAT TIME AND EVENTS FAVOR THEIR STEP-BY-STEP MOVEMENT TOWARD A NON-TRAUMATIC REALIZATION OF THE HISTORIC COMPROMISE. THEY ARE THEREFORE INDIRECTLY COOPERATING TO AVOID A CIRISIS, REITERATING ONLY--BUT NOT IMPATIENTLY-- THAT ALL PREJUDICIAL EXCLUSIONS TOWARD THEM MUST END. ON THIS MATTER, THE SOCIALISTS, FOR THEIR OWN REASONS, CAN BE COUNTED ON TO KEEP UP THE PRESSURE FOR THEM MEANWHILE, THEY PREFER TO CONSOLIDATE THEIR PROGRESS ON THE LOCAL LEVEL.

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6. ALL THE CENTER-LEFT PARTIES HAVE IN THE DIFFICULT ECONOMIC SITUATION ON A NEUTRAL AND VALID (AS EVER) RALLYING POINT TO JUSTIFY THEIR FEAR OF A POLITICAL CIRISIS. WHILE THE GOVERNMENT HAS PERFORMED REMARKABLY IN PULLING BACK FROM A DISASTROUS INTERNATIONAL PAYMENTS SITUATION AND REVERSING THE TREND IN THE RATE OF INFLATION, RECOVERY HAS YET TO BEGIN.

7. THEREFORE, UNTIL THE HARD POLITICAL DILEMMAS CAN BE PUT OFF NO LONGER, OR SOMEONE MISCALCULATES, THE MORO GOVERNMENT WILL PROBABLY BE LEFT RELATIVELY FREE TO DO WHAT IT THINKS BEST TO STIMULATE RECOVERY. ITS ANTI-RECESSION MEASURES, DECREED WHILE POLITICIANS WERE OFF ON VACATION, ARE NOT LIKELY TO MEET SERIOUS OPPOSITION IN PARLIAMENT. A MORE DANGEROUS HURDLE WILL BE THE LABOR CONTRACT NEGOTIATIONS SCHEDULED FOR THE FALL AND EARLY WINTER. BUT UNLESS UNEMPLOYMENT RISES MORE DRAMATICALLY THAN IT HAS, SUFFICIENT RESTRAINT ON THE PART OF LABOR TO REACH AGREEMENTS WILL PROBABLY BE FORTHCOMING. THE PCI WILL NO DOUBT DO ITS PART TO SEE THAT IT IS. VOLPE

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